

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7000**

**BILL NUMBER:** HB 1130

**NOTE PREPARED:** Jan 21, 2010

**BILL AMENDED:**

**SUBJECT:** CRED Districts.

**FIRST AUTHOR:** Rep. Tyler

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill authorizes a third area in Delaware County for designation as a Community Revitalization Enhancement District (CRED). It provides that the area must contain a building with at least 1,000,000 square feet, and that at least 700 fewer people are employed in the area than were employed in the area on January 1, 2008.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill authorizes a third area in Delaware County for designation as a CRED. Under current law, the state Budget Committee must review and make a recommendation to the State Budget Agency (SBA) after they are notified of the local resolution designating a CRED. The SBA must approve the resolution designating the district. However, if the SBA fails to take action within 120 days of the date the resolution is submitted to the Budget Committee, the resolution is considered approved. The Department of State Revenue (DOR) must calculate the base income tax amount and the base gross retail amount for the district. The DOR and the SBA must annually estimate and certify the amount of income tax and sales tax which will be collected from the district.

**Explanation of State Revenues:** (Revised) *CRED Income and Sales Tax Increment Allocations:* Current statute provides that a CRED must terminate not later than 15 years after incremental income or sales taxes are first allocated to the CRED. The State Budget Agency must approve the resolution designating a CRED before incremental income and sales taxes may be allocated to an area designating a CRED. If the approval is obtained for the new Delaware County CRED, the state would forgo any new income or sales tax revenue up to \$1 M per year that is generated by the development in the new CRED. Currently, Delaware County has two CREDs, one is active (the Magna CRED) and one is inactive (the ABB CRED). Each of these CREDs

also is subject to an annual income and sales tax capture limit of \$1 M. Distributions of captured tax revenue to the Magna CRED totaled \$77,227 in FY 2007; \$271,835 in FY 2008; and \$299,829 in FY 2009.

(Revised) *Community Revitalization Tax Credit*: Under current statute, a taxpayer who makes a qualified investment for the redevelopment or rehabilitation of property located within a community revitalization enhancement district (CRED) is entitled to this tax credit. The credit is based on 25% of the qualified investment. The credit may be used to reduce the taxpayer's tax liability against the AGI Tax, the Financial Institutions Tax, or the Insurance Premiums Tax. The taxpayer may carry any excess credit over to the immediately following years, but is not entitled to a carryback or refund of any unused credit. A taxpayer is not entitled to a credit if they substantially reduce or cease to operate in another area of the state in order to relocate within the district. The revenue loss that could potentially be incurred due to investment in an additional Delaware County CRED is indeterminable. The table below reports the number of individual and corporate taxpayers that claimed the tax credit for CRED investment in 2005, 2006, and 2007, as well as the total credit amount claimed each year. The CREDs that the investment and tax credit was attributable to is unknown.

<b>Community Revitalization Enhancement District Tax Credit</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Individual Income Taxpayers</b>			
Taxpayers Claiming Credit	94	84	55
Credits Claimed	\$291,249	\$54,228	\$416,447
<b>Corporate Income Taxpayers</b>			
Taxpayers Claiming Credit	N/A	4	3
Credits Claimed	N/A	\$3,224,231	\$2,663,171
N/A=Data not available for 2005.			

Revenue from the AGI tax, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

(Revised) *Background Information* -

*Community Revitalization Enhancement Districts*: Under current statute, CREDs may be established in certain specified local units, and in 1st and 2nd class cities. CREDs are allowed to capture incremental revenue from Sales Tax, state Income Tax, and local option income taxes. A local resolution to designate a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency.

Under the provisions allowing CREDs in specific local units, six CREDs have been established: (1) one each the city of Bloomington, the city of Fort Wayne, the city of Marion, and the city of South Bend; and two in Delaware County. All but one of these CREDs (the ABB CRED in Delaware County) are active. The annual capture limit for Sales Tax and state Income Tax for each of these CREDs is \$1 M. The distribution of captured revenue to these CREDs since FY 2007 is summarized in the table below.

CRED	Distribution of Captured Revenue to CRED		
	FY 2007	FY 2008	FY 2009
Bloomington (Thomson CRED)	\$432,657	\$431,005	\$432,924
Delaware County (Magna CRED)	\$77,227	\$271,835	\$299,829
Fort Wayne (Tillman-Anthony CRED)	\$0	\$1,000,000	\$1,000,000
Marion CRED	\$1,954,701	\$1,025,014	\$843,301
South Bend CRED	\$1,200,369	\$1,000,000	\$955,315
Source: Auditor of State, Revenue Trial Balance - FY 2007, FY 2008, & FY 2009.			

Under provisions allowing CREDs in 1st and 2nd class cities, four CREDs have been established: one each in Anderson, Bloomington, Fort Wayne, and Indianapolis. The Bloomington and Indianapolis CREDs are currently active and receiving captured revenue distributions. The annual capture limit for Sales Tax and state Income Tax for each of these CREDs is \$750,000. The distribution of captured revenue to these CREDs since FY 2007 is summarized in the table below.

CRED	Distribution of Captured Revenue to CRED		
	FY 2007	FY 2008	FY 2009
Bloomington (Downtown CRED)	\$803,737	\$1,906,134	\$1,000,000
Indianapolis (Lafayette Square CRED)	\$0	\$0	\$750,000
Source: Auditor of State, Revenue Trial Balance - FY 2007, FY 2008, & FY 2009.			

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue, State Budget Agency, Budget Committee, State Treasurer.

**Local Agencies Affected:** Delaware County.

**Information Sources:** Auditor of State, Revenue Trial Balance, FY 2007-FY 2009; OFMA Income Tax databases: 2007-2009.

**Fiscal Analyst:** Jessica Harmon, 317-232-9854; Jim Landers, 317-232-9869.